government as the basis of this circulation, and in order to-secure the gold required to buy these bonds each of the provinces desiring a provincial bank sold abroad a special issue of its own gold bonds. The gold received was paid into the national Treasury for the national bonds and the banks of the provinces were authorized to issue an amount of paper money equal to the bonds thus purchased. The provinces became responsible for the issue of paper money by the respective provincial banks.[1] A considerable sum of gold was obtained by the sale of bonds, which resulted in a great inflation of the prices of property on which loans were made by the banks.

Bad banking and excessive issues wrecked the new system within four years, and sent gold to 300 per cent, in paper, in spite of the security of the note issues. Every bank of issue suspended in 1891 and is still in process of liquidation. The guaranteed bonds issued to found the system were estimated to be outstanding in 1893 £o tne amount of $100,082,965.[3] The inflation had been aided by the issue of paper money without special guarantee, but it was the opinion of the executive power that the Guaranteed Banking Act was the cause of the crisis.[3] The government assumed responsibility for the outstanding paper and required the surrender of the bonds and specie held by the banks. It was necessary to have some banking institution to permit the continuance of government finance, and the Bank of the Argentine Nation was erected in December, 1891, upon the ruins of the old Bank of the Nation and of the provincial banks. The bank was opened with a capital of $50,000,000, entirely paid in paper. The affairs of the old national bank were made over to the new bank and its shareholders given a preference in the subscriptions to the new stock. The bank was allowed to issue notes to the amount of seventy-five per cent, of the internal bonds deposited as a guarantee.[4] The

[1] *Comptroller's Report,* 1895, Letter of Minister William I. Buchanan, 596.

[2] London *Bankers* Magazine,* March, 1893, LV., 408-16.

[3] L£vy, 286.

[4] London *Bankers' Magazine,* June, 1892, III., 905.